

Genworth Mortgage Insurance Australia

3Q 2015 Financial results presentation

30 October 2015



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3Q 2015 and YTD results

(A\$ millions)	3Q14	3Q15	Change
Gross written premium	157.5	124.7	(20.8%)
Net earned premium	112.0	123.9	10.6%
Reported net profit after tax	64.0	65.5	2.3%
Underlying net profit after tax	70.2	58.7	(16.4%)

(A\$ millions)	YTD 2014	YTD 2015	Change
Gross written premium	471.1	410.0	(13.0%)
Net earned premium	330.3	349.6	5.8%
Reported net profit after tax	215.4	178.5	(17.1%)
Underlying net profit after tax	203.3	191.6	(5.7%)

Key financial measure	Guidance	YTD 2015	
Net earned premium growth	Up to 5%	5.8%	✓
Full year loss ratio	25%-30%	26.2%	✓
Dividend payout ratio	50%-70%	61.2%	✓

On track to achieve FY15 guidance

Market conditions pressuring GWP

- Lower LVR mix impacting price and GWP.
- Investment property lending at multi-year highs.

Resilient earnings performance

- Net earned premium in line with expectations.
- Impact of 3Q actuarial review.
- Reported NPAT includes mark-to-market gain on investment portfolio.

FY15 guidance reaffirmed

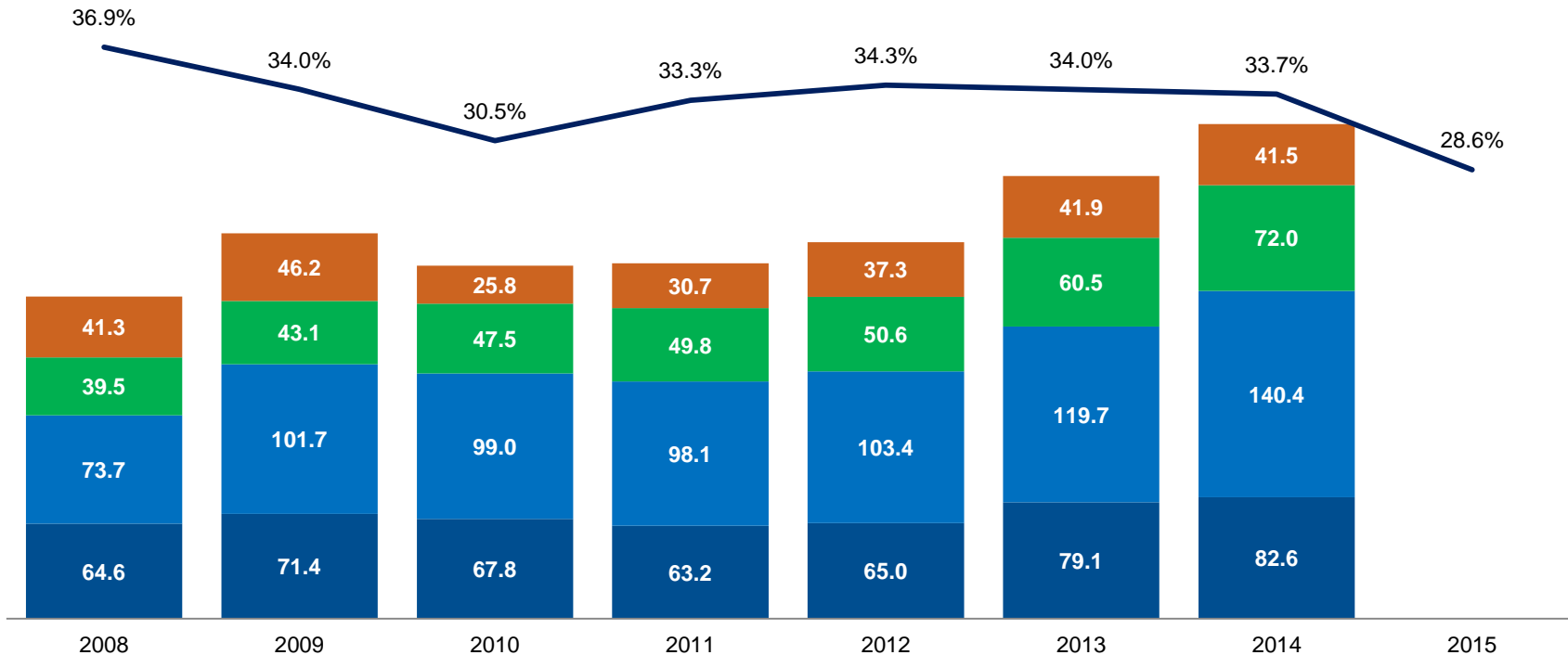
- NEP growth toward top end of guidance range.
- Loss performance in line with expectations.

Residential mortgage lending market

HLVR Penetration

\$ bn, %

- Loans approved LVR<60%
- Loans approved LVR 80%-90%
- HLVR Loans (% of New Residential Loan Approvals)
- Loans approved LVR 60%-80%
- Loans approved LVR>90%

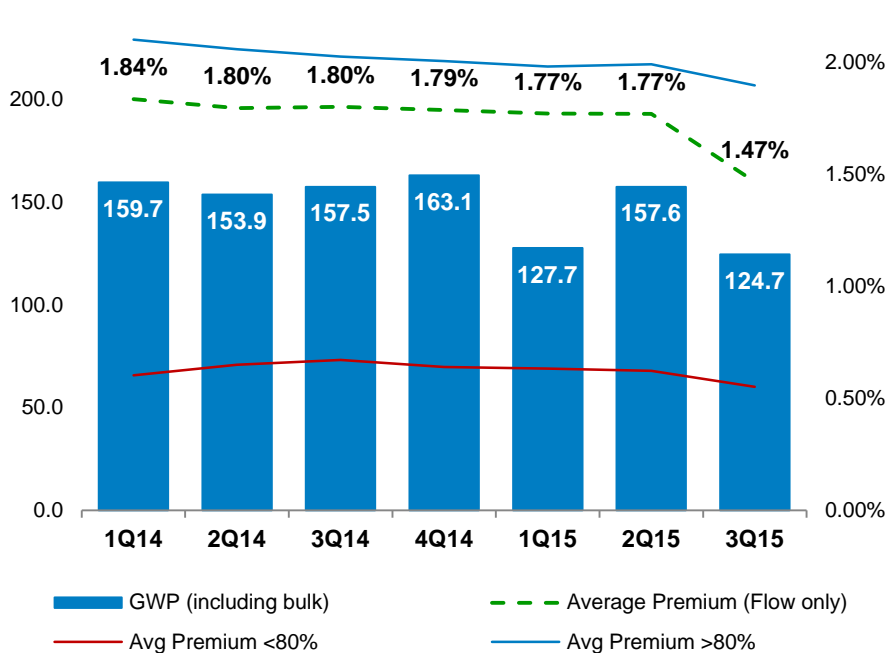


Source: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), June 2015. Statistics are as per information reported to APRA by ADIs with greater than \$1 billion in housing term loans as at the end of the relevant quarter, thereby excluding small lenders and non-banks.

* 2015 data is for 6 months to 30 June only

Gross written premium

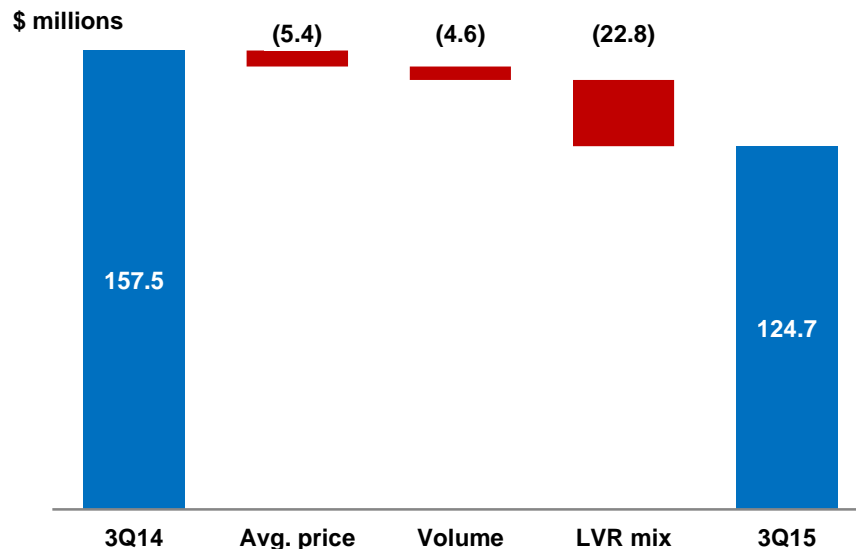
GWP and average price of flow business (GWP/NIW¹)



- GWP decrease of 20.8% vs pcp
- Average price of 1.47%
- Lower LVR mix impacting GWP and price

1. NIW includes capitalised premium

Flow business – GWP walk



- Decrease in Q315 mainly driven by shift in LVR mix

3Q 2015 income statement

(A\$ millions)	3Q14	3Q15	Change
Gross written premium	157.5	124.7	(20.8%)
Movement in unearned premium	(26.6)	19.2	(172.2%)
Gross earned premium	130.9	143.9	9.9%
Outwards reinsurance expense	(18.9)	(20.0)	5.8%
Net earned premium	112.0	123.9	10.6%
Net claims incurred	(24.0)	(41.5)	72.9%
Acquisition costs	(11.9)	(14.8)	24.4%
Other underwriting expenses	(17.6)	(17.1)	(2.8%)
Underwriting result	58.5	50.5	(13.7%)
Investment income on technical funds ¹	9.2	24.8	169.6%
Insurance profit	67.7	75.3	11.2%
Investment income on shareholder funds ¹	23.1	25.6	10.8%
Financing costs	(2.8)	(7.0)	150.0%
Profit before income tax	88.0	93.9	6.7%
Income tax expense	(24.0)	(28.4)	18.3%
Net profit after tax	64.0	65.5	2.3%
Underlying net profit after tax	70.2	58.7	(16.4%)

1. Investment income on Technical Funds and Shareholder Funds include the before-tax effect of realised and unrealised gains/(losses) on the investment portfolio.

Net incurred claims

(A\$ millions unless otherwise stated)	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15
Number of paid claims (#)	462	419	350	314	280	288	325
Average paid claim (\$'000)	65.1	60.5	58.6	49.6	28.2	69.3	67.4
Claims paid	30.1	25.3	20.5	15.6	7.9	20.0	21.9
Movement in reserves	(12.8)	0.2	3.5	2.1	10.5	11.5	19.6
Net claims incurred	17.3	25.6	24.0	17.7	18.4	31.5	41.5
Reported loss ratio (%)	15.9%	23.2%	21.4%	15.3%	16.6%	27.4%	33.5%
Net earned premium earnings curve adjustment	-	-	-	-	-	-	(11.2)
Adjusted net earned premium	108.2	110.1	112.0	115.5	110.8	114.9	112.7
Borrower recovery accrual	-	-	-	-	9.6	-	-
Incurred but not reported (IBNR) adjustment	-	-	-	-	-	-	(12.2)
Normalised net claims incurred	17.3	25.6	24.0	17.7	28.0	31.5	29.3
Normalised loss ratio (%)	15.9%	23.2%	21.4%	15.3%	25.3%	27.4%	26.0%

Capital management initiatives

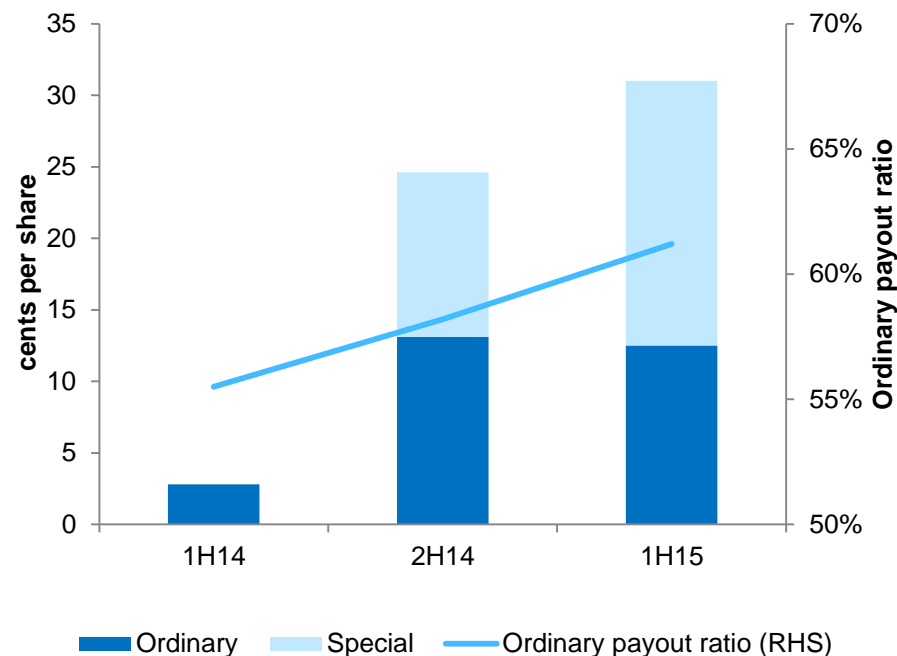
Recent actions

- Since listing, Genworth has paid out all after-tax profits by way of ordinary and special dividends to shareholders.
- Additional \$100 million reinsurance effective 1 January 2015.
- \$200 million Tier 2 facility issued in July 2015.
- \$150 million on-market share buy-back announced today is consistent with the Group's capital management strategy:
 - APRA approval received.
 - GMA's majority shareholder, Genworth Financial, Inc. is supportive and has indicated it intends to maintain its approximately 52% stake in GMA.

Future actions being considered

- The Group is continuing to evaluate further capital management initiatives that could be implemented in 1H 2016, which would be subject to necessary regulatory and shareholder approvals.

Genworth dividends



3Q 2015 regulatory capital position

Level 2 ¹ (A\$ in millions)	31 Dec 14	30 Sep 15	Pro Forma ² 30 Sep 15
Capital Base			
Common Equity Tier 1 Capital	2,742.1	2,537.9	2,387.9
Tier 2 Capital	112.0	249.6	249.6
Regulatory Capital Base	2,854.1	2,787.5	2,637.5
Capital Requirement			
Probable Maximum Loss ('PML')	2,586.5	2,564.6	2,564.6
Net premiums liability deduction	(272.4)	(270.6)	(270.6)
Allowable reinsurance	(815.6)	(915.5)	(915.5)
LMI Concentration Risk Charge ('LMICRC')	1,498.5	1,378.5	1,378.5
Asset risk charge	128.0	108.1	108.1
Asset concentration risk charge	-	-	-
Insurance risk charge	202.1	210.5	210.5
Operational risk charge	24.1	25.6	25.6
Aggregation benefit	(60.6)	(51.4)	(51.4)
Prescribed Capital Amount ('PCA')	1,792.1	1,671.3	1,671.3
PCA Coverage ratio (times)	1.59 x	1.67x	1.58x

1. Level 2 solvency ratio is only required to be calculated and submitted to APRA on a semi-annual basis. Quarterly estimates have not been audited.

2. The pro forma regulatory capital position assumes completion of the \$150 million on-market share buy-back as at 30 September 2015.

Summary and outlook

- Steady 3Q result and FY15 guidance reaffirmed.
- Market conditions are dynamic; pressure on LVR mix.
- Strong capital position continues.
- On-market share buy-back announced.

Key financial measures – FY 2015 guidance

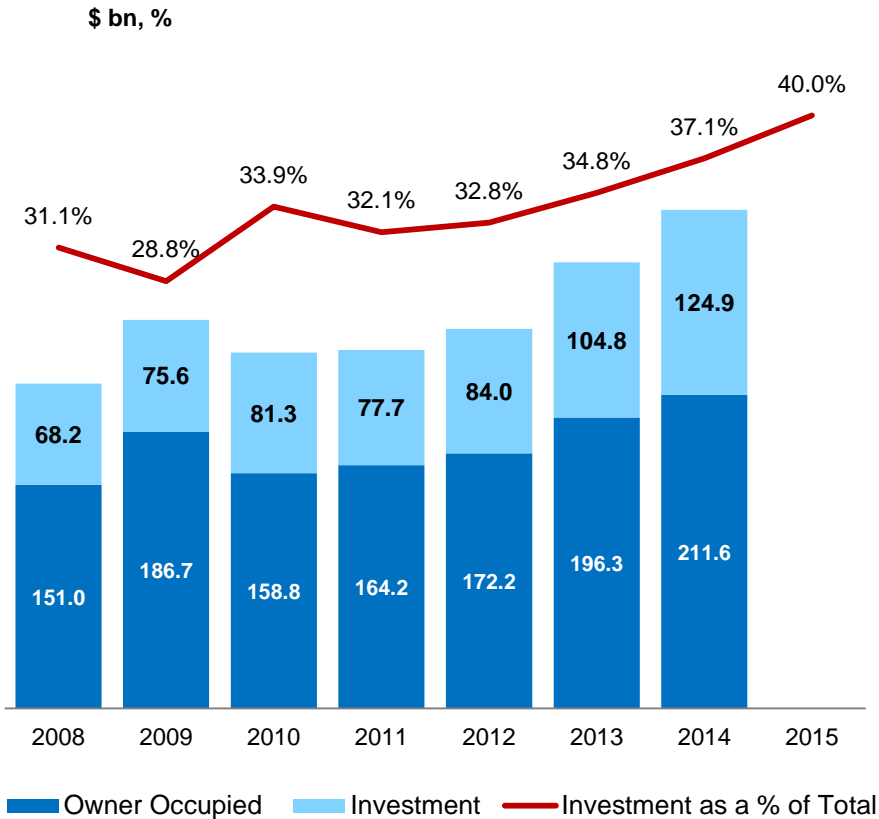
Net earned premium growth	Up to 5%
Full Year Loss ratio	25.0% to 30.0%
Dividend Payout Ratio	50-70%

Full year outlook is subject to market conditions and unforeseen circumstances or economic events

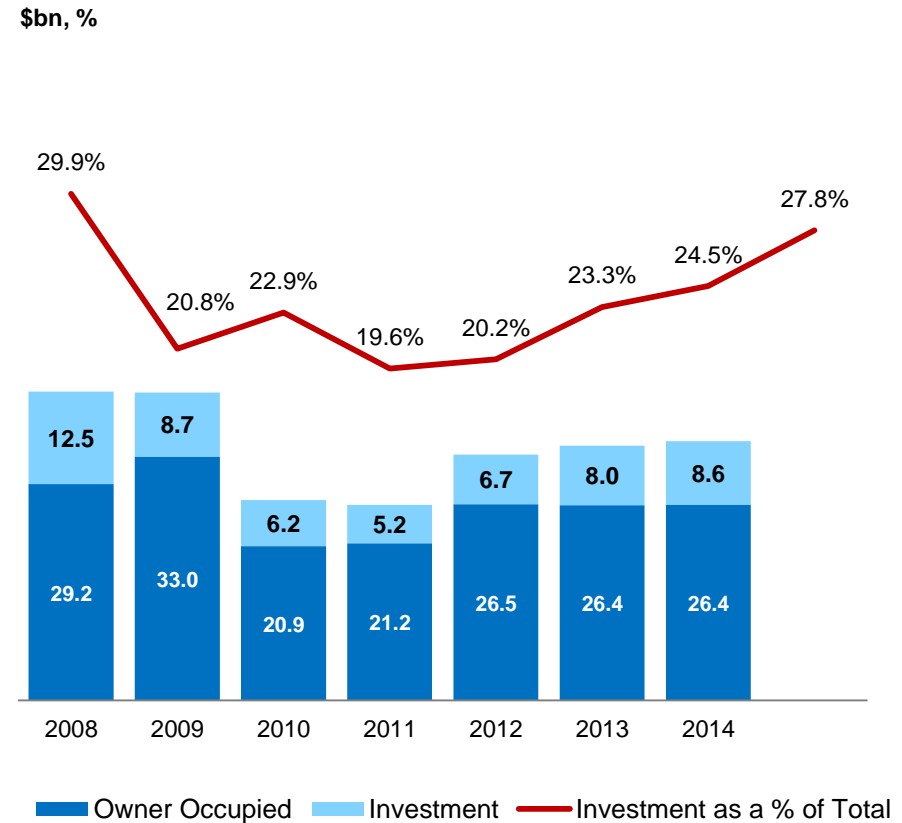
Supplementary Slides

Residential mortgage lending market

Investment vs. Owner Occupied (APRA statistic)



Investment vs. Owner Occupied¹ (GMA)



- Investment property lending represented 40.0% of originations for the period ended 30 June 2015

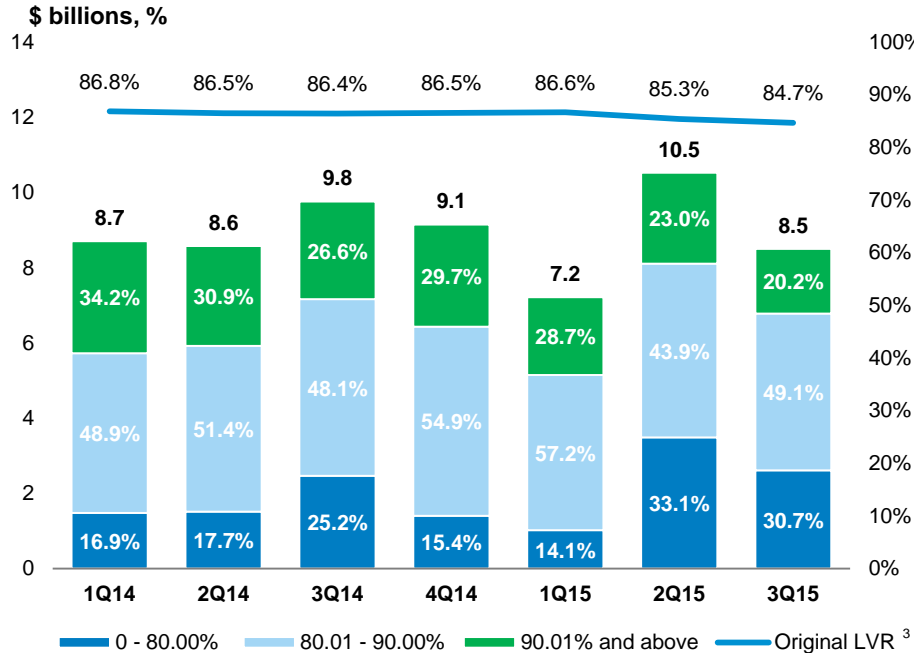
- Investment property lending represented 27.8% of originations for the period ended 30 September 2015

Sources: APRA Quarterly ADI property exposures statistics (ADIs new housing loan approvals), June 2015. Statistics are as per information reported to APRA by ADIs with greater than \$1 billion in housing term loans as at the end of the relevant quarter, thereby excluding small lenders and non-banks.
* 2015 data is for 6 months to 30 June only

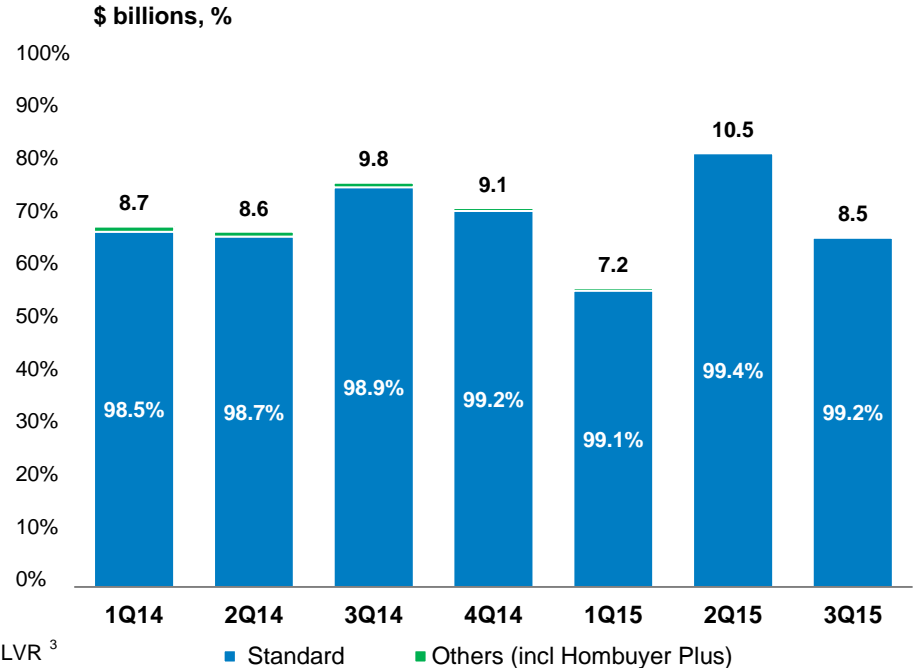
1. Flow NIW only. Owner occupied includes loans for owner occupied and other types.

New insurance written

NIW¹ by original LVR² band (quarterly)



NIW¹ by product type (quarterly)

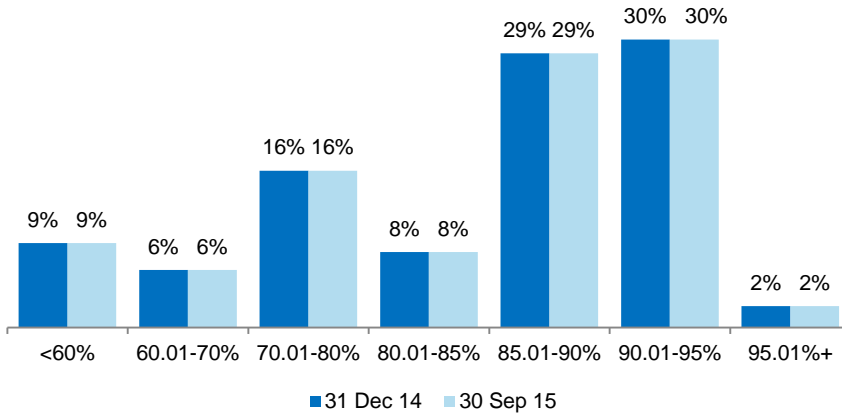


1. NIW includes capitalised premium
2. Original LVR excludes capitalised premium
3. Data excludes Inwards Reinsurance, New Zealand and Genworth Financial Mortgage Indemnity

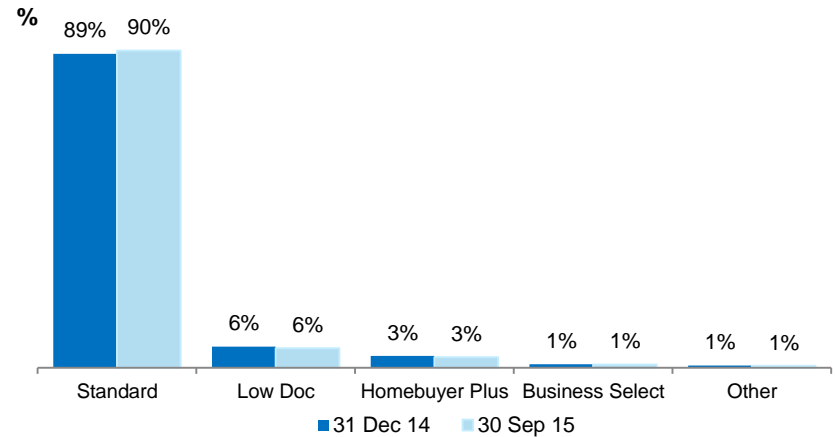
Insurance in force

Insurance in force (IIF)¹ by original LVR² band as at 31 December 2014 and 30 September 2015

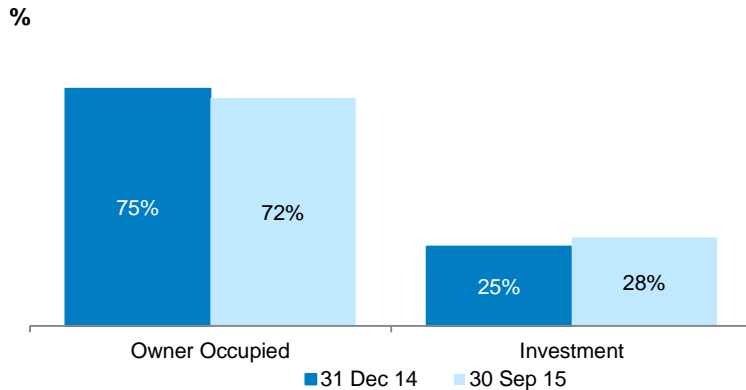
Total IIF \$319 billion as at 30 September 2015



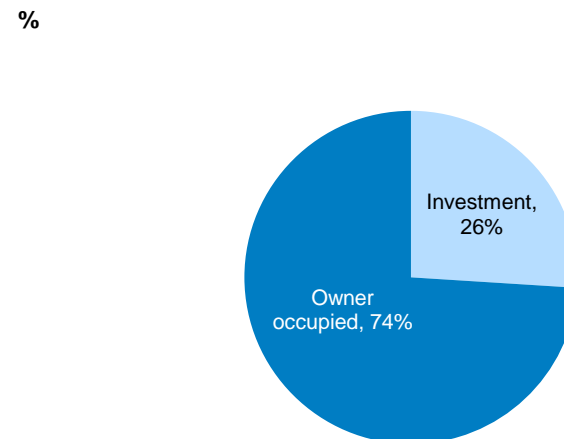
IIF¹ by product type, as at 31 December 2014 and 30 September 2015



Flow NIW¹ by loan type, as at 31 December 2014 and 30 September 2015



IIF¹ by loan type, as at 30 September 2015

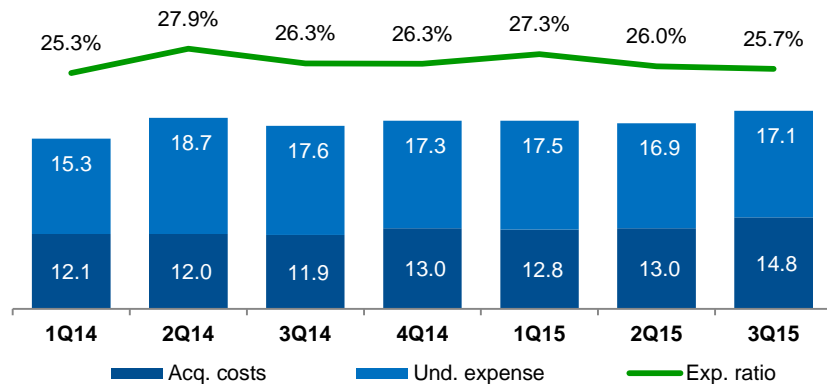


1. NIW and IIF includes capitalised premium
 2. Original LVR excludes capitalised premium

Insurance ratio analysis

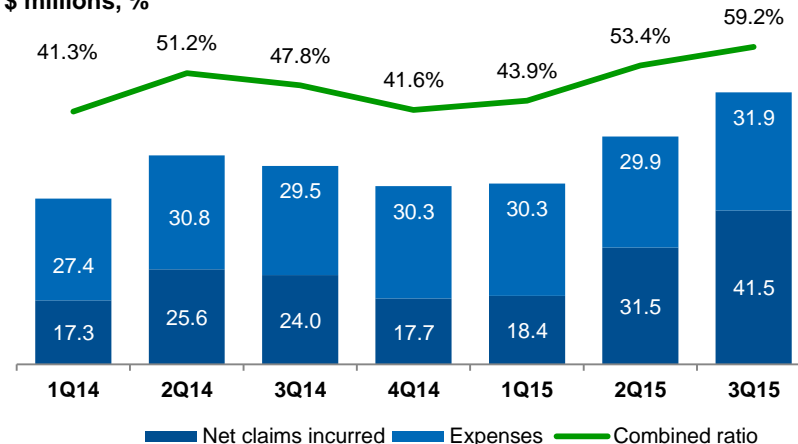
Expenses

\$ millions, %



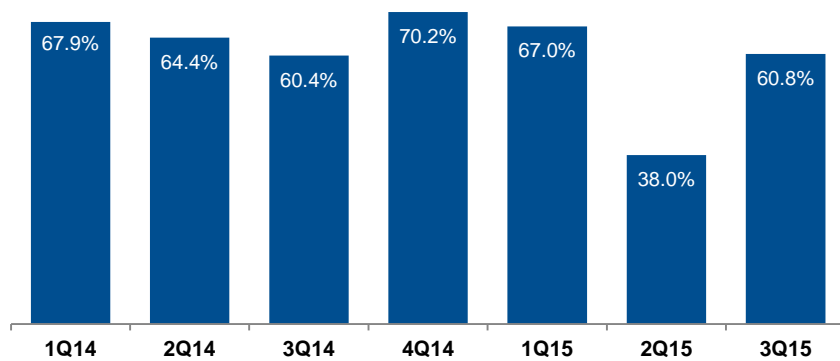
Combined ratio

\$ millions, %



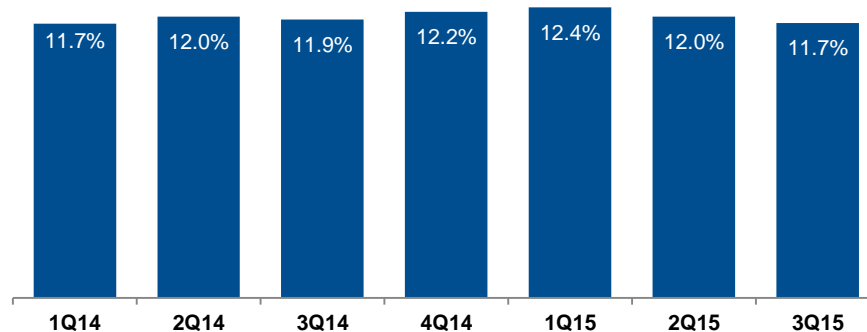
Insurance margin

%



12 month trailing underlying ROE

%



Quarterly financial information

Statement of comprehensive income

(A\$ in millions)	Pro forma 1Q14	Pro forma 2Q14	Actual 3Q14	Actual 4Q14	Actual 1Q15	Actual 2Q15	Actual 3Q15
Gross written premium	159.7	153.9	157.5	163.1	127.7	157.7	124.7
Movement in unearned premium	(32.6)	(25.0)	(26.6)	(29.4)	3.0	(22.7)	19.2
Gross earned premium	127.1	128.9	130.9	133.7	130.7	135.0	143.9
Outwards reinsurance expense	(18.9)	(18.8)	(18.9)	(18.3)	(19.9)	(20.1)	(20.0)
Net earned premium	108.2	110.1	112.0	115.4	110.8	114.9	123.9
Net claims incurred	(17.3)	(25.6)	(24.0)	(17.7)	(18.4)	(31.5)	(41.5)
Acquisition costs	(12.1)	(12.0)	(11.9)	(13.0)	(12.8)	(13.0)	(14.8)
Other underwriting expenses	(15.3)	(18.7)	(17.6)	(17.3)	(17.5)	(16.9)	(17.1)
Underwriting result	63.6	53.8	58.5	67.4	62.1	53.5	50.5
Inv. income on tech funds	9.9	17.2	9.2	13.6	12.1	(9.8)	24.8
Insurance profit	73.5	70.9	67.7	81.0	74.2	43.7	75.3
Inv. income on shareholders' funds	27.9	49.1	23.1	77.0	56.7	(7.9)	25.6
Financing costs	(2.8)	(2.8)	(2.8)	(2.9)	(2.8)	(2.7)	(7.0)
Profit before income tax	98.7	117.2	88.0	155.1	128.1	33.1	93.9
Income tax expense	(29.4)	(35.1)	(24.0)	(46.4)	(38.6)	(9.6)	(28.4)
Net profit after tax	69.3	82.1	64.0	108.7	89.5	23.5	65.5
Underlying net profit after tax	69.7	63.4	70.2	76.1	69.7	63.2	58.7

Balance sheet and unearned premium reserve

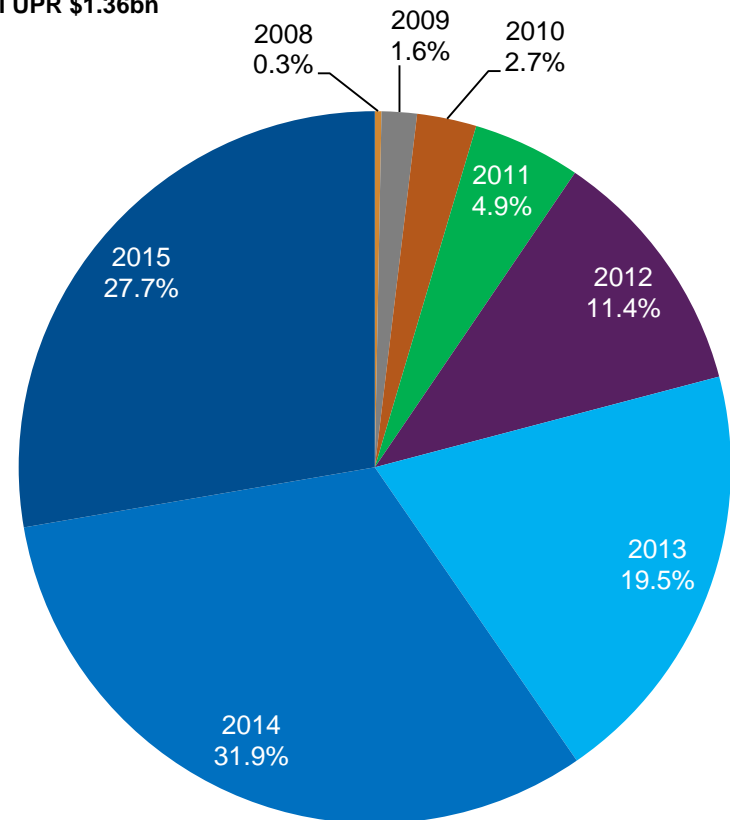
Strong stable balance sheet with \$4.1bn in Cash and Investments and \$1.36bn in UPR

(A\$ in millions)	31 Dec 14	30 Sep 15
Assets		
Cash and cash equivalents	88.6	102.2
Investments ¹	4,112.0	4,012.5
Deferred reinsurance expense	80.6	89.7
Non-reinsurance recoveries	16.4	27.6
Deferred acquisition costs	124.5	126.2
Deferred tax assets	8.2	8.9
Goodwill & Intangibles	11.9	10.3
Other assets ²	7.1	5.6
Total assets	4,449.3	4,383.0
Liabilities		
Payables ³	209.3	174.8
Outstanding claims	230.9	275.0
Unearned premiums	1,362.6	1,363.2
Interest bearing liabilities	138.6	244.1
Employee provisions	7.4	6.9
Total liabilities	1,948.8	2,064.0
Net Assets	2,500.5	2,319.0

1. Includes accrued investment income
2. Includes trade receivables, prepayments and plant and equipment
3. Includes reinsurance payables

Unearned premium by book year as at 30 September 2015

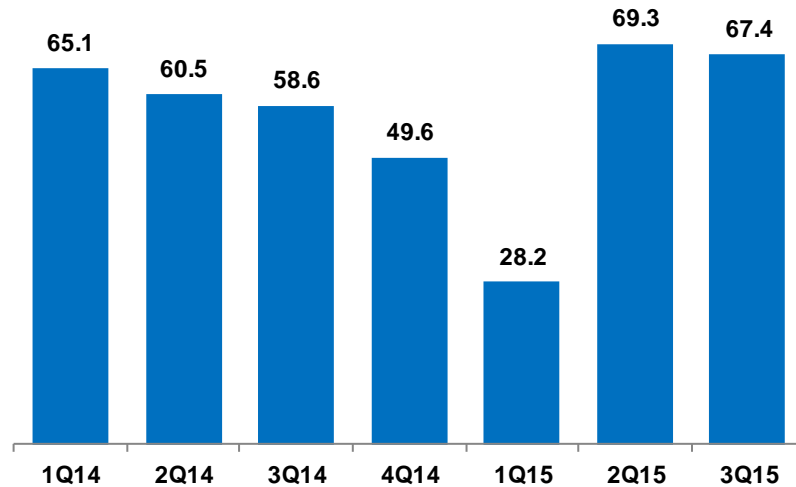
Total UPR \$1.36bn



Net incurred claims

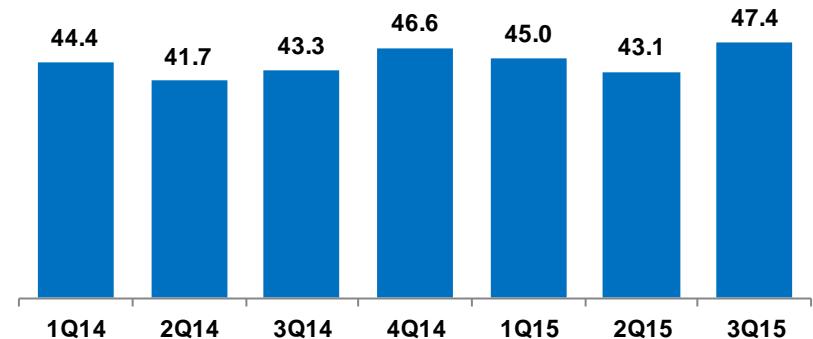
Average paid claim¹

\$'000



Average reserve per delinquency²

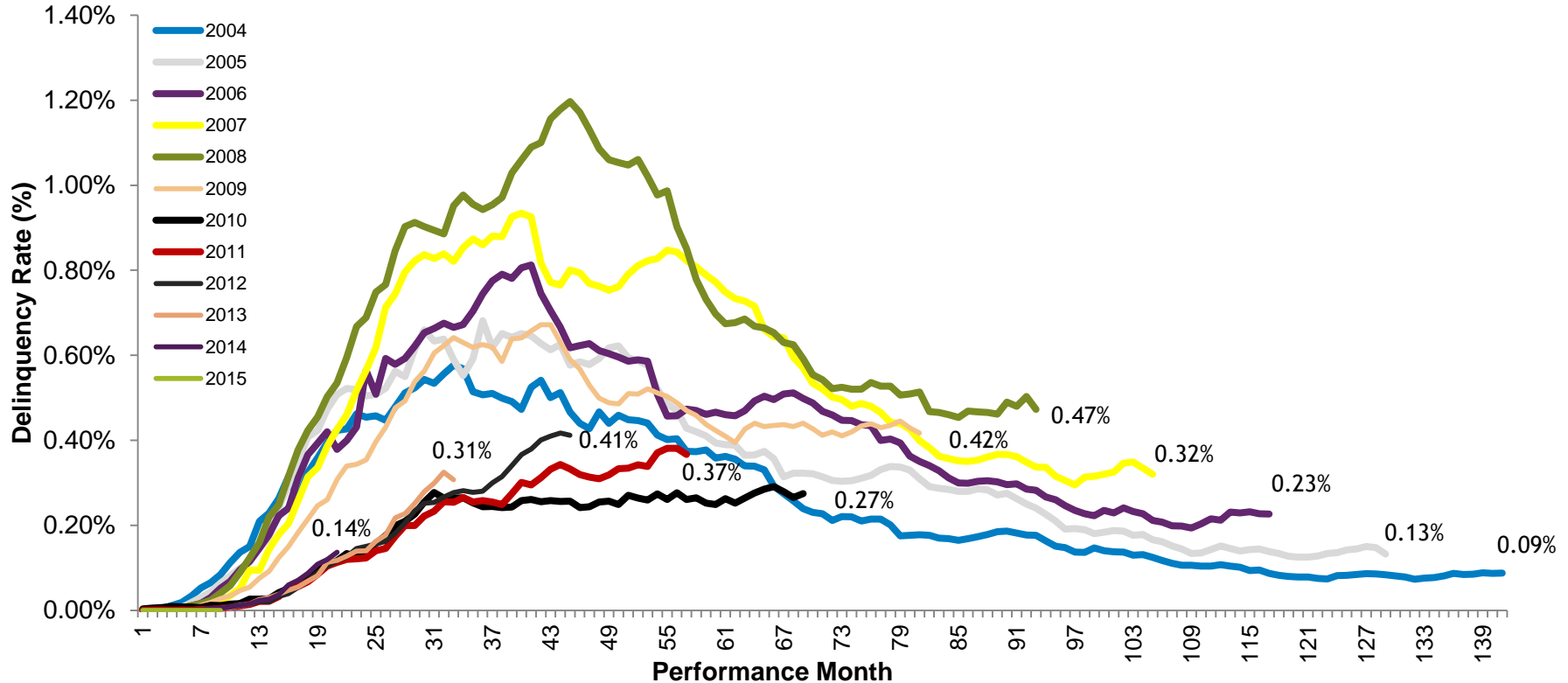
\$'000



1. Calculated as claims handling expense and paid claims net of recoveries and divided by the number of claims paid for the relevant period.
2. Calculated under claim provision is gross of non-reinsurance recoveries and divided by the number of delinquencies for the relevant period.

Delinquency development

Favourable performance post 2009



- The 2008 Book Year was affected by the economic downturn experienced across Australia and heightened stress experienced among self-employed borrowers, particularly in Queensland.
- The 2010 to 2014 Book Years are performing favourably relative to the previous five years (2005-2009).

Delinquency development

Quarterly delinquency roll and delinquency composition

Delinquency Roll	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15
Opening balance	4,980	5,070	5,405	5,300	4,953	5,378	5,900
New delinquencies	2,689	2,913	2,734	2,357	2,679	3,103	2,782
Cures	(2,137)	(2,159)	(2,489)	(2,390)	(1,974)	(2,293)	(2,553)
Paid claims	(462)	(419)	(350)	(314)	(280)	(288)	(325)
Closing delinquencies	5,070	5,405	5,300	4,953	5,378	5,900	5,804
Delinquency rate	0.34%	0.36%	0.36%	0.33%	0.36%	0.40%	0.39%

Delinquencies by book year	Dec 14		Sep15	
2007 and prior	1,993	2209	0.31%	
2008	869	875	0.93%	
2009	813	864	0.75%	
2010	347	368	0.44%	
2011	348	368	0.46%	
2012	352	524	0.51%	
2013	204	395	0.37%	
2014	27	191	0.16%	
2015	-	10	0.01%	
TOTAL	4,953	5,804	0.39%	

Delinquencies by geography	Dec 14		Sep 15	
New South Wales	1,041	1,143	0.30%	
Victoria	1,114	1,269	0.35%	
Queensland	1,513	1,812	0.57%	
Western Australia	513	726	0.45%	
South Australia	459	515	0.50%	
Australian Capital Territory	56	54	0.15%	
Tasmania	130	156	0.31%	
Northern Territory	24	32	0.21%	
New Zealand	103	97	0.23%	
	4,953	5,804	0.39%	

Income statement reconciliation – 3Q 2015

Reconciling to the USGAAP figures reported by Genworth Financial, Inc.

	USGAAP AU Segment Results in USD	Add Back: Non Controlling Interest (NCI)	USGAAP AU Segment Results + NCI	USGAAP AU Segment Results + NCI	Adjustments						Total Adjust.	GMA Group
	US\$m	US\$m	US\$m	A\$m	(a)	(b)	(c)	(d)	(e)	(f)	A\$m	A\$m
Premiums	271	-	271	350	-	-	-	-	-	-	-	350
Interest income	89	-	89	114	1	-	-	-	-	-	1	115
Realised investment gains/(losses)	3	-	3	5	-	-	-	-	-	-	-	5
Unrealised gains/(losses)	-	-	-	-	-	-	(19)	-	-	-	(19)	(19)
Other income	(4)	-	(4)	(5)	9	-	-	-	-	(2)	7	2
Total revenue	359	-	359	464	10	-	(19)	-	-	(2)	(11)	453
Net claims incurred	66	-	66	86	-	-	-	-	5	-	5	91
Other underwriting expenses	74	-	74	96	(13)	(27)	-	(3)	-	(2)	(45)	51
Amortization of Intangibles	1	-	1	2	-	-	-	-	-	-	-	2
Acquisition costs (DAC amortisation)	14	-	14	17	-	24	-	-	-	-	24	41
Interest expense/Financing related cost	7	-	7	10	-	-	-	3	-	-	3	13
Total expenses	162	-	162	211	(13)	(3)	-	-	5	(2)	(13)	198
Total pre-tax income	197	-	197	253	23	3	(19)	-	(5)	-	2	255
Total tax expense	59	-	59	77	7	1	(6)	-	(2)	-	-	77
Net income	138	-	138	176	16	2	(13)	-	(3)	-	2	178
Less: Net income attributable to NCI	59	(59)	-	-	-	-	-	-	-	-	-	-
Net income avail to GNW stockholders	79	59	138	176	16	2	(13)	-	(3)	-	2	178

(a) Interest income, FX measurement adjustment for US entities outside of GMA Australia Group but included as part of the USGAAP AU Segment results, Corporate overhead allocation and U.S. Shareholder tax impact.

(b) Differing treatment of DAC, with AGAAP seeing a higher level of deferral and amortisation.

(c) Under AGAAP unrealised gains/(losses) on investments are recognised in the income statement.

(d) Under AGAAP redemption costs on Tier II debt is treated as financing related costs rather than other underwriting expenses under USGAAP

(e) AGAAP requires reserve to be held with a risk margin and an adjustment to the level of reserves for the non reinsurance recoveries.

(f) Additional local share based payments and other misc. expense differences